MARKET ORIENTATION IN THE NONPROFIT SECTOR

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ABSTRACT

As the nonprofit sector moves into a more competitive environment it is being required by the community to become more efficient and effective. One response is for nonprofit organisations to become market oriented, which is the familiar response in the for-profit sector. Two components of market orientation, that is market segmentation and customer oriented products, fit well within the peculiarities of a nonprofit organisation. This is usually accompanied by the desire to obtain a competitive advantage causes problems for various stakeholders within the organisation. This paper contends that three factors, management, scarcity of resources, and conflict between organisational objectives and market orientation, are major influences on the adoption of a market oriented culture for a nonprofit organisation.

As the role of the state changes (Billis and Harris, 1991) more attention is being focused on a set of institutions that are making significant (financial) contributions to the alleviation of human problems throughout the world, the nonprofit, or voluntary sector (Salamon and Anheier, 1992). Trends in the United States (Salamon and Abramson, 1982; cited in Salamon and Anheier), United Kingdom (Taylor, 1992; cited in Salamon and Anheier), and Australia (Considine, 1988; Kramer, 1990) indicate that the nonprofit[1] sector is increasingly being called upon to substitute for state social welfare service delivery. These increased expectations of the nonprofit sector has forced them to adopt marketing strategies normally confined to the for-profit organisation (Gallagher and Weinberg, 1991). Such adoption takes place with little, if any, adjustment to the marketing strategies as it is thought that marketing performed by the nonprofit sector does not necessarily involve new principles rather it is the environment in which these principles are applied which provides new challenges (Kotler, 1982).

Weisbrod (1986) has hypothesised that nonprofit organisations (NPOs) pursue their goal of maximising their output of `charitable' services, subject to the necessity of at least breaking even financially. The management problem faced by NPOs is how to satisfy a more or less diverse set of funders while also structuring the work of the organisation to maintain staff morale and accomplish specific tasks. This supports the proposition that the nonprofit environment is distinct from the for-profit environment.

NPOs rely on a wide range of funding sources, including grants and contracts from local, state, and federal governments; donations in the form of foundation grants; corporate support; direct individual giving; church contributions; art unions; bequests; income earned from dues, fees, service charges, rent, and product sales; and income from endowments, investments, and special events. Gronbjerg (1991) believes each funding source involves a distinctive funding relationship, which in turn presents NPOs with an ongoing series of strategic opportunities and contingencies. Efforts to secure and manage resources are shaped by opportunities and limitations which reflect the status of the organisation and the characteristics of the specific service industry in which the NPO operates and of the particular resources to which they obtain access.

Each funding source differs in how predictable and controllable they are, Gronbjerk (1991) maintains that this increases the amount of uncertainty in organisational decision making. Each source differs in the range and nature of management tasks required, and therefore in the amount of effort devoted to these tasks. They differ also in whether they separate clients (service recipients) and customers (sources of funds) and hence in sensitivity to market forces or organisational strategies to manipulate

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[1] Hall (1987, p. 3) defines a nonprofit organisation as a body of individuals who associate for any of three purposes: (1) to perform public tasks that have been delegated to them by the state; (2) to perform public tasks for which there is a demand that neither the state nor for-profit organisations are willing to fulfil; or (3) to influence the direction of policy in the state, the for-profit sector, or other nonprofit organisations. A nonprofit organisation is also one where the surplus of the organisation can only be used to further the objectives of the organisation and cannot be distributed to its members or controllers (Hansmann, 1987).

the quality and cost of services.

The marketing function is commonly considered as satisfing your customer's needs by creating value for them. The `true' marketer's philosophy, according to Kotler and Andreasen (1987), considers that it is the organisation that must be willing to adapt its offering to the customer, and not visa versa. Such adaptation may affect all aspects of the marketing mix, product, price, promotion, distribution and packaging so as to create the right offerings, in the right place, at the right time, and at the right price.

However, merely taking the for-profit approach of directing marketing programs to one public in an attempt to offer benefits in exchange for resources may alienate other important publics in the nonprofit environment. Shapiro (1977) says that a nonprofit organisation must perform different marketing tasks for its two different customers, one program for clients (resource allocation) and another program for donors (resource attraction). The basic problem facing nonprofits is matching the correct marketing program with their current environment. The more complex problem relates to the fact that the nonprofit environment consists of more `publics' than that of the for-profit environment. Gallagher and Weinberg (1991) conclude the very nature of a nonprofit organisation - nonfinancial objectives, the lack of a risk cushion, multiple publics, public attention - makes nonprofit marketing more complicated than conventional business marketing.

According to McGregor-Lowndes (1989) little research has addressed the nonprofit sector in Australia so that its size, content, and activity remain a mystery. Even so, existing research such as Lyons (1991), suggests that the sector is an important part of many industries and different enough in its origins and in its way of working to require study in its own right.

In 1982 research by Williams and Warfe estimated that Australian charities accounted for 3.56 per cent of the Australian gross domestic product. More recently a study by the Victorian Community Services (1992) estimated total income for the sector in Victoria was $571 million while expenditure was $542 million. A report by *Giving Australia* (The Australian Association of Philanthropy, 1991) on the results of a market survey of the philanthropic sector of the Australian economy estimated total receipts in 1990 at $1688 million, demonstrating the relative importance of the sector.

Such massive movements of funds between customers and clients would normally command considerable attention from academic research attempting to improve resource attainment and allocation. However most literature accepts theories which have been developed for the for-profit sector. For example Firstenberg (1986, p.54) believes that for NPOs to be effective they "must consciously adopt a **marketing orientation** in the same fashion as a successful profit-making enterprize". Kotler (1982,p.22) characterises a marketing orientation for NPOs as "customer-centeredness", meaning the focus is on satisfying customers' changing needs and wants. How does market orientation sit with NPOs? Is it fair to assume that what works in the for-profit sector will automatically be a success in the non-profit sector? This paper attempts to establish what market orientation means for a non-profit and how this definition fits with NPOs.

DEFINING MARKET ORIENTATION

Rados (1981) describes marketing as advertising and selling, product, price, distribution, and marketing research. Marketing deals with a method by which A aims to get B to do their will, where B has freedom to act as they choose.

Kotler (1982) believes the basis of marketing to be the bringing about of voluntary exchanges to achieve the objectives of the organisation. This definition is appropriate for exclusive mercantile transactions, however Kotler (1982) maintains that such an exchange represents most transactions occurring in society. Contrary to this view, Rados (1981) argues that philanthropy is a voluntary one way transfer of resources for purposes traditionally judged as philanthropic (the donor receives nothing in exchange). While some nonprofit activities fit Kotler's definition of marketing, the notion of voluntary exchange is often lost in many philanthropic transactions. Rados (1981, p.19) explains:

.... and the feelings of well-being people get after giving to a charity are generated by the donors themselves. Feelings are not something stocked by the charity to be sent off upon receipt of a donation. And it is possible to have feelings of well-being without donating at all, simply by contemplating the good works of charity.

Although sales of goods and donations appear to be different structures for obtaining resources, Steinberg (1987) asserts that donors often make implicit trades, obtaining direct benefits, indirect benefits, and Kantian benefits. Even if NPOs do not provide an obvious service in exchange for donative resources, Steinberg (1987) argues that the method of obtaining resources is similar to that of sales in the for-profit sector. Marketing programs are used in both sectors to maximise the surplus generated by the program. That is net returns are maximised when an additional dollar of fund-raising expenditure adds exactly one dollar to donations.

Marketing in the nonprofit sector would appear to be a simple application of economic principles. Rados (1981) however accuses marketing as being inherently inefficient in bringing about changes in behaviour. He believes the theory that marketing is based on is poor. There is no agreement on the meaning of the central concepts, and little on units of measure; research findings are rarely based on more than a single study and hence cannot be generalised; and the predictions based on the theory are also vague. It means that much of the expertise of marketing rests on trial and error, with an emphasis on error. Many marketing programs simply do not work at all, or they fail in some way to meet their objectives.

Why should nonprofits become market oriented?

So why do nonprofit organisations engage in marketing? According to Rados (1981), most NPOs do not have the authority to command support, they must rely on people to voluntarily support them (backers), and these backers are reached by means of marketing. Also marketing solutions normally adapt to the short-run needs of the clients, thus clients initially will be better served by a NPO which has adopted a market orientation.

Firstenberg (1986) agrees that marketing is essential in both obtaining resources and producing products. He sees marketing helping an organisation achieve three objectives:

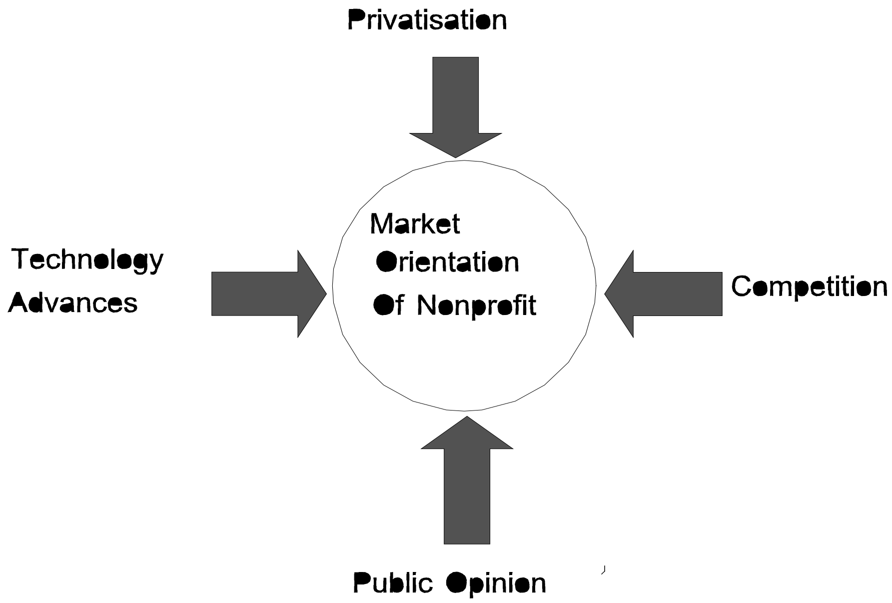
1. generation of resources,
2. contribute to influencing behaviour, by persuasion and by adaptation,
3. and by contribution to the satisfaction of clients needs.

To develop a strategy to help achieve these objects, Kotler (1982) focuses on two basic elements - the target market and the marketing mix. Marketers try to see markets not in terms of products, but in terms of the clients interest. Clients are not interested in products; they want experiences, they want to do things, they want to accomplish tasks, they want to solve problems.

Sheth (1990, p.3) believes that the stimulus for a NPO adopting a market oriented approach is external to the organisation. Thus one would expect if the external environment in which the NPO operates has remained stable then their degree of market orientation would be less than a NPO in a turbulent, changing environment.

Forces Responsible For Market Orientation of Nonprofit Organisation

FIGURE 1



(Adapted from Sheth)

Privatisation

As Western governments find themselves in financial difficulties, due to slow economic growth[2], their support of the nonprofit community is decreasing. Often the only measure available to the NPO to raise capital is to sell assets to private investors through privatisation.

Competition

Competition amongst NPOs is the strongest force driving the organisation to becoming market oriented. As resources become scarce, competition for those resources increase.

Public Opinion

Negative public opinion and public image, due to closer examination of NPO's activities, have become a significant force for NPOs to become more market oriented.

Technology Advances

Information technology has enabled a NPO to establish relationships with their stakeholders rather than one time transactions. This allows greater cost efficiency and productivity due to the possibility of generating lifetime revenues from the same stakeholders. Information technologies also break down time and place barriers between the providers and the users of products and services. Thus it is possible for an NPO to increase its market scope from local to national to global on a real time basis.

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[2] Relative revenue is decreasing while costs have at least maintained pace with inflation, resulting in wider gaps.

Sheth (1990, p.9) found that adopting a marketing orientation produces an oxymoron for NPOs. Market orientation provides the following benefits.

- Improves productivity and cost-efficiency by discarding or minimising social and other non-business missions of the NPO, such as providing employment, subsidised prices for the disadvantaged, and encouraging procurement from minority suppliers.

- It also generates a positive public image that minimises the problems of captive customers.

- Innovation and change may be generated because markets often tend to be more dynamic than expertise of the supply function.

- Finally it tends to generate greater user satisfaction and stakeholder satisfaction.

On the other hand, market orientation generates negative side effects which often impact on public image.

- It tends to ignore certain disadvantaged users because they can't afford to buy market priced products and services.

- It encourages greater segmentation which results in open discrimination and inequity.

- It tends to offer what the users want as opposed to what they need.

- It tends to rely heavily on the opinions of its users and donors, and there are situations where the users or the donors do not really know what they need or want.

Many NPOs at present are faced with this cost/benefit analysis, and in the absence of an obvious correct strategy to follow, a go/no-go decision is often reached. This stuttering management approach to marketing is the cause of many problems in the area.

There is probably less professionalism in the field of nonprofit marketing than in any other area of its management. (Firstenberg, 1986, p.131)

Regardless of the possible downside to adopting a market orientation, it appears that survival of a NPO is dependent upon it. As explained by Firstenberg (1986), people still tend to think of NPOs as objects of charity whose altruistic pursuits guarantee their survival. No matter how important the institution may be, their future survival is by no means assured. Economic history has shown that the difficult environment now facing NPOs is not simply a by-product of the global economic recession. Because of the labor intensive nature of service industries, Sheth (1990) asserts that their costs are more vulnerable to inflation driven wage increases. At the same time, as costs skyrocket, the incomes of NPOs suffer as inflation, especially when compounded by a recession, adversely affects the flow of support from private sources, public funders, and endowment income. The economic lesson for NPOs is that inflation does not impact revenues and expenses equally.

Rados (1981) also sees problems for a NPO adopting a consumer (marketing) orientation. Measuring the state of mind of the consumer is expensive in both dollars and time, and requires experience and skill on behalf of management. However the perceived benefits normally force organisations to tackle this problem with enthusiasm, but often without finesse.

The first benefit of taking a consumer orientation is that it focuses attention on the client and their behaviour. This can provide valuable information to the marketer. By concentrating on the customer the NPO will set more realistic objectives for any marketing program, which provides the second benefit. The third benefit of a consumer orientation approach is that it helps in identifying potential competition, especially unlike competition.

Firstenberg (p.29-31) maintains that funding for NPOs is a scarce resource. Potential funding sources are typically inundated with all kinds of appeals for support, and getting their attention takes skilled planning and execution. There is such a profusion of messages unleashed on the public today it is hard for any enterprise to be heard. A torrent of advertisements for commercial products and services, campaigns for political candidates and issues, and appeals for worthy causes congest communication channels. To be noticed at all, you have to cut through this clutter with a sharply differentiated and powerfully delivered message.

While the literature does not agree upon the reasons for a NPO to become market oriented it strongly contends that if a NPO does not become market oriented then their future would appear more uncertain.

How to be market oriented?

Mokwa (1990) states a NPO should maintain a proactive and responsive marketing orientation. To achieve this they must be innovative, flexible, and responsive. Being market oriented does not guarantee success, but it can improve the chances of achieving it. Marketing can provide responsive and adaptive perspectives and decision frameworks to help NPOs understand and better articulate their goals; to find and develop the opportunities that most closely relate to a NPO purpose and competencies; to design and implement more integrated and sensitive social action and human service programs; and to control, or at least, to learn about complex social efforts and their outcomes and impacts.

Mokwa (1990) believes NPOs must devise a multifunction, multimarket, and multisegment marketing strategy in order to generate consensus and support for or tolerance of their policy across their markets. A challenge for NPOs is to expand marketing beyond the public relations function and beyond communication dimensions into a coherent philosophy and methodology for effecting and integrating multipublic exchange relationships.

Being market orientated means that an NPO must adapt a product management approach. Fine (1990a) explains that product management consists of numerous tasks.

Market Segmentation This refers to the partitioning of a market of consumers according to some criterion so that marketing plans may be custom-tailored to suit the unique needs of each segment.

Branding The objective in branding strategy is to encourage consumers to purchase the product habitually. A brand name, once remembered, increases the chance of repeat purchase because the product and its name become closely associated in the consumer's mind.

Packaging The product must be packaged so as to project, and even enhance, the product ideals.

Product Positioning A strategy by which the marketer attempts to carve a unique niche for a product in a market of competing products. The key task in product positioning is to select the most appropriate criteria on which to position the product.

Product

Differentiation The strategy of rendering one product different from another.

Before a product management approach can be developed Gronbjerg (1991) believes a NPO must understand the specific contingencies of the diverse funding sources available in order to access funding opportunities; they must translate funder priorities into service or program activities that promote agency missions; and they must coordinate funding relationships with other agency resources such as staff expertise, information networks, board capacity, and agency structure. In general, the effectiveness of specific resource strategies and management choices should vary by the type of funding on which the organisation relies and by the service domain in which the organisation operates.

In summary being market oriented means that an organisation should segment the market in order to target those segments were it can provide products which contribute greater value than their competitors to their clients/backers. This definition contains three key concepts: segmentation, competition, and product. A discussion of applying these concepts in the nonprofit sector is now presented.

Segmentation

The problem is simple, clients differ and so do backers, what pleases one will not please another, and what stimulates one to respond in some desired way will fail to stimulate another. Thus Rados (1981) says no one marketing program can reach, arouse and satisfy everyone. There are two possible solutions: (1) ignore the differences or (2) adapt to the differences.

The first approach maintains there is only one segment and it contains all clients. Rados (1981) describes such a strategy as requiring low expenditure on marketing; requires no marketing know-how to execute and little marketing research to ascertain what clients want. But by overlooking special interests of different segments, an organisation may fail to produce the desired behaviour, and clients or backers will be less satisfied with their contacts with the organisation.

Segmentation of clients or backers involves an organisation selecting groups of clients/backers who are to receive the organisation's marketing efforts, and it designing a separate marketing program for each segment. Segmentation is normally based on one or a combination of the following criteria:

1. geography;
2. demography;
3. behaviour;
4. psychography; and
5. buying process (Rados, 1981, p.94).

Rados (1981) raises two problems which NPOs face when using a segmentation approach. Firstly segmentation means that some segments will be poorly served by the organisation as it concentrates on its targeted clients. While business can ignore less attractive segments, a NPO such as Drug Arm[3] has great difficulty merely focusing on one particular drug related problem.

The second implication of segmentation is that the people who respond most easily to a marketing program may be the wrong people. Whenever there is self selection by the intended audience, those who respond are likely to differ from those in the target audience. This can be seen in education programs such as the Cancer Foundation's *Stop Smoking Campaign*, Rados (1981) maintains that those who are most likely heed the message are nonsmokers or smokers who have recently quit. Those least likely to attend to the warnings are heavy smokers, who are the desired target audience.

It is debateable whether market research can successfully track the changing moods of the market towards fundraising through direct marketing. Gronbjerk (1991) found that in spite of the level or variety of donation efforts pursued, few strategies resulted in predictable or growing sources of

[3] Drug Arm's mission involves the treatment and prevention of drug related problems.

revenues for the agencies. Donations changed in volatile and unpredictable ways, and the fluctuations occurred whether or not the agencies had systematic development efforts or sought to build on natural constituencies. In contrast to fees, donations separate customers (donors) from clients (service recipients), and agencies have no effective leverage over donors or ability to generate the funding through their own service efforts.

In his research into NPO's funding sources, Gronbjerk (1991) found that agencies singled out a limited set of funders, and stayed with them, even if this imposed a great deal of year-to-year variation in funding. This partly reflects the progressive institutionalisation of funding relationships but also the high overhead costs associated with exploring new funding sources.

Such research partly confirms the long held theory that nonprofit organisations are believed to respond less readily than for-profits to market changes owing to different goals and less access to capital (Hansmann, 1987; Steinberg 1987)

Competition

Feigenbaum (1983; cited in Steinberg) found that donors are unable to monitor the efficiency of their donations, and governmental and umbrella group monitoring is imperfect, allowing managers to divert some resources towards emoluments. She establishes that in a highly competitive market, nonprofits must devote a greater share of their slack resources to fund raising and reduce spending on emoluments in order to maintain a level of resources which would enable them to achieve their short-term objectives.

It remains unclear as to who nonprofit organisations see as their competitors. Rubinyl (1985) maintains that competition is not for resources but rather for causes. It could be argued that competing for a cause is actually competing for resources.

Rados (1981) identifies two types of competition, secondary and primary. Primary competition is competition between industries, that is competition between one sector of the nonprofit economy and other sectors. There are no similarities between products, thus it is difficult to identify primary competition. Such competition is in the mind of the client/backer and is influenced by the specific environment which exists in each specific case. For the most part marketers confine themselves to dealing with secondary competition, that is like versus like. NPOs should have little trouble identifying secondary competition, if any such exist.

Rados (1981) argues that little can be done for a short-term competitive strategy except simply to do as well as you can to accomplish the organisational goals. However longer-run decisions should consider areas where the competition is less severe, and areas where their own resources and capabilities afford them a competitive advantage. A NPO that faces competition should include competitive factors in the formulation of its marketing strategy. Three choices are available:

1. it can try to monopolise its market: This is the normal marketing strategy of government bodies. United fundraisers also use such an approach, such as United Way has sought to control access to charitable donations by business employees.[4] Monopolisation merely simplifies the marketing

[4] By joining a united fund raising organisation a nonprofit is attempting to negate or lessen competitive forces. Such an organisation is designed to obtain greater contributions than they could obtain on their own. Researchers (Fisher, 1977; Rose-Ackerman, 1980; cited in Steinberg) believe that donations increase because of three reasons.

1/Since competitive fund raising expenditure (marketing) is reduced, donors may believe their donations are more efficiently spent and thus give more.

function, it does not eliminate it.

2. it can attract more competition: Business prefer to sell in non-competitive markets and buy in competitive ones. Seeking competition to increase the satisfaction of clients is rare however by doing this a NPO might come closer to reaching their organisational objectives. This assumes the nonprofit ideology that competition will increase the choice of products available and possibly lower the cost per unit.

3. or it can cooperate with its competitors: The potential advantages of cooperation are substantial, lower marketing costs, increased productivity from marketing expenditure, and possibly better client service.

Firstenberg (1986) believes for a NPO to expand its revenues, a realistic feel for its competitive environment is required. It must recognise that NPOs compete against each other, not only for financial resources, but also for public attention and support. A NPO needs a sharp sense of what is distinctive or special about the services it offers, what is called competitive advantage. A competitive advantage, according to Porter (1987), grows fundamentally out of the value an organisation is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay for, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. Thus a NPO should concentrate on those activities and in those fields in which it has expertise not equally possessed by its competitors.

Developing a competitive advantage has led NPOs to adopt niche marketing strategies. Wilson (1990) found that NPOs in his study aimed to become more competitive, more unique, more effective, and more efficient. These niche strategies were aimed at securing a distinctive competence within a particular area. The propose is for managers of organisations to try and achieve a market niche in which their organisation is perceived as a consistently good performer in comparison to others in the same field of activity.

Product

A NPO with a poor system of attracting and allocating resources cannot last long. Its programs cannot exist without an adequate resource base. To attract resources NPOs must be able to identify prospective donors, develop appropriate benefits that can be tailored to prospective donor targets, and then implement coordinated resource market programs. Product/market analysis (for example the Boston Consulting Group Matrix) can provide a sound basis for resource allocation. Such analysis can force a NPO to define the role of each of their social action programs and to consider their comparative benefits when allocating resources.

Marketing concepts are particularly applicable to questions of product mix coordination, communication and facilitation, and test marketing methods can be used to improve product and program design.

Most NPO's products (both client and backers) are regarded as more like a service rather than a good. Berry (1983) describes the three main characteristics of a service being:

(a) it is more intangible than tangible,

2/Since united funds assess needs and audit performances of member agencies, donors may be convinced that their contributions will be better spent. Thus donors need not devote as much effort to deciding which charities are worthy, and this reduction in effort encourages giving.

3/When donors disagree about which organisations are worthy, tying donations into one package may help all donors.

(b) it provides for simultaneous production and consumption,
(c) and it is less standardised and uniform.

The criteria customers use to evaluate service quality is often difficult for the marketer to comprehend. Zeithmal (1990) says the three factors that contribute to this problem are:

(a) Customers often do not understand how they evaluate service quality.
(b) Customers do not evaluate service quality solely on the outcome of a service; they also consider the process of service delivery.

(c) The only criteria that count in evaluating service quality are defined by customers. Only customers judge quality; all other judgements are essentially irrelevant.

Fine (1990a) argues that an NPO is market orientated then there programs must stand the test of changeability to suit the customer. He believes that product immutability belies the marketing concept.

The research question

Do NPOs focus their marketing resources on segmenting the market based on the competitive strengths of their products? Before analysing the data to answer this questions a brief discussion of how the data was obtained is given.

RESEARCH METHODOLOGY

FIGURE 2

	Private	Public
Nonprofit	Charities Universities Hospitals Social Groups	Government Agencies Public Schools Public Hospitals Railroads
Profit	Private Corporations Partnerships Small Businesses	Telecom Australia Post Australian Airlines

(Adopted from Sheth - 1990)

The focus of the research is on the private nonprofit sector. Within this group the research has centred on organisations which are not dependant on government support to survive. That is, they must develop their own internal programs to attract resources. A judgemental (often referred to as purposive) sample was used in conducting this research. There are two advantages in using such a sample.

1. It was possible to choose a diverse range of organisations.
   Leukaemia Foundation
   Motor Trade Association of Queensland
   Asthma Foundation
   Returned Service League of Queensland (RSL)
   Paraquad Association
   Queensland Cancer Foundation
   Technical Aid to Disabled

Boy Scouts
Drug Arm
John Paul College
Queensland University of Technology Foundation
Victims of Crime Association
Brisbane Convention Centre
Queensland Rugby Union (QRU)

2. The practicality of being afforded an interview with the most appropriate person within the organisation. Organisations chosen were those where the interviewee will be both helpful and possess an insight into their marketing operations.

Black and Champion (1976, p.306-307) believe judgemental samples are most useful where errors in selecting elements will not seriously effect the research objectives. As the research is attempting to develop hypothesis rather then test them, a judgemental sample is less likely to effect the research objective.

The face to face questions were designed to evoke conversation about aspects of the NPOs operations rather than draw specific responses about precise areas. Interviews averaged one hour in length.

Limitations of the research

Considerable literature (Scott and Meyer, 1988; Fennell and Alexander, 1987; Middleton, 1987) has been devoted to the success of a NPO being dependant on the organisational structure of the nonprofit. This research shows that different organisational structures reflect differences in institutional systems or environments, and will differ greatly even within the same industry. Unfortunately the results yield ambiguous findings and because of this, the effect of the NPO's organisational structure on its marketing programs has not been investigated.

While not downgrading the importance of market research the method and type conducted by NPOs has largely been ignored. Market research is an important aspect of market orientation, but it is believed that it is more a by-product of the organisation being market oriented and as such has largely been untouched in this research.

Measuring the effectiveness of being market oriented has not been attempted. While the success of the organisation meeting its objectives is the only criteria which marketing should be gauged on, it was felt that an understanding of market orientation within the nonprofit environment was initially required. Measuring effectiveness is also very difficult as explained by Herman (1990, p.291):

If effectiveness has been troublesome in general organizational theory where the referent is often the business corporation with its bottom line, the effectiveness construct is even more challenging in nongovernmental organizations and nonprofit organizations, for which bottom line financial figures are more ambiguous.

RESULTS FROM THE RESEARCH - APPLYING MARKET ORIENTATION

An organisation that is market oriented is one that is aware of the strengths of its competitors and develops products that provide a competitive advantage for their selected target markets. The three key components, competition, segmentation, and a customer oriented product shall be examined as to how NPOs interviewed perceived each element.

Competition for the individual's dollar

When discussing competition NPOs interviewed immediately mentioned competition for their cause rather than competition for resources, as found by Rubinyl (1985). Each NPO saw competition as other organisations who performed a similar function in the community. This may in fact be an example of NPOs being more market oriented towards their clients rather than their backers which Hansmann (1987) would argue is the reason for the existence of NPOs. Competition for the cause may strongly effect the amount of resources available to the organisation. This may imply that there is a limited amount of resources the community is willing to give to any one cause or function. This research found that secondary competition, like versus like, is the main focus of the managers interviewed which supports the view of Rados (1981).

Secondary competition implies a distinct set of clients and backers, thus the market is already segmented to some extent. If the cause or function you perform is "fashionable" then your market is large. To be fashionable an NPO's product must be easily related to, and have an emotional attachment. If only one condition occurs than the organisation will face much anguish struggling to position their product.

For people to relate to your product they must have some contact with it. So because one in four people contract cancer most people have some contact with the disease, either directly or indirectly through people they know, and thus also having contact with the products the Cancer Foundation are producing (cancer research, anti smoking campaigns, preventive skin cancer promotions). Any such disease automatically invokes strong emotions. The Queensland Rugby Union marketing is based on clients who played rugby union at school. The product is positioned so it becomes an integral part of the clients lifestyle, which leads to a very strong emotional attachment.

The Victims of Crime Association could relate to the whole community. Most people have been effected by a crime either to themselves or to someone close to them. One would think there would be high emotions in such an area. However unless the crime is human injury, as opposed to property, than that emotion is very short lived and is generally dealt with by the individual, and their insurance company. Rape and murder are very emotional, but fortunately at present are not widespread. So their market is quite small and as such they struggle to survive.

NPOs interviewed did not appear to have any perception of primary competition, that is competition between one sector of the nonprofit economy and other sectors. While most managers realised that all NPOs were competing for exposure it was believed that the donor market in Australia was largely untouched. This ignores the fact that there are superior donors, and the superior donor segments are finite in their numbers and their resources. The less money spent to attract a donor's resources the better the donor.

Competition for the corporate dollar

Firstenberg (1986) believes that when an NPO considers the potential of corporate support they should begin by analysing how their own programs can serve the self-interests of specific business entities. Five criteria effect the relationship between corporation and NPO.

1. Geographic proximity: corporations tend to favour supporting NPO located in the same area.

2. Specific benefit to the organisation: corporations will favour supporting a service where they receive direct benefits, increased sales from promotion, or indirect benefits, improved employee health from educational programs.

3. Personal relationship with key officials: Board members of an NPO should maintain and develop corporate contacts as part of the fundraising effort.

4. An image fit: corporations own marketing professionals may suggest themes or objectives for which an NPO's own programs can provide support to the corporation.

5. Existing area of interest: corporations usually will actively support a specific segment in the nonprofit area, knowledge of these existing areas of interest is important when targeting corporations.

The research confirmed the main criteria that effects the relationship between corporations and NPOs suggested by Firstenberg (1986). They are:

1. Geographic proximity - Brisbane is a branch office city and as such NPOs have difficulty enticing support from the national companies.

2. Specific benefit to the organisation - the Queensland Rugby Union was a clear leader in attracting corporate support due to the fact that it could show prospective supporters of their programs that they would gain financially by entering into a relationship. And the basis of the relationship is the QRU delivering what it promises.

3. Personal relationship with key officials - again the Queensland Rugby Union has an extremely effective network of supporters in most Brisbane board rooms.

The CEO of Technical Aids for the Disabled summed up competition for the corporate dollar in the following manner:

If you have the right people on the board the money just flows in. If you have the wrong people on the board it doesn't matter how good a job you do nobody really knows you ..... high profile people get you big money. Thats been proven again and again.

A word of warning is appropriate when considering "stacking" the board of a NPO. In Gronbjerk's (1991) research six NPOs were studied. Most of these used diverse strategies to market the organisation to a variety of publics thought to be potential donors. The two agencies that developed the broadest range of donation sources were able to spread the risks associated with each source and maintain a relatively high reliance on donations. This strategy requires demanding efforts, especially by board members, and is not easily sustained. It also favours the selection of board members on the basis of affluence or personal access and easily diverts the board from serving other functions, such as the objectives of the NPO. Logsdon (1990) also points out that it is one thing to target potential corporate donors in terms of the strategic outcomes that they might favour. It is another thing to abandon a professional assessment of community needs and develop only those programs that appeal to corporate strategic outcomes.

Negating competition

As competition was not perceived as threatening by most NPOs, strategies to avoid competition were not well developed. Not suprisingly the possibility of joining resources with other NPOs so as to maximise their output and lessen their competition, all except the RSL rejected such an idea. It was believed that each organisation had their own identity and did not want to lose that individualism to a proposed conglomerate. It was suggested several times that as individuals the NPOs were far more effective in producing products to better serve their clients and their backers. In other words their would be no increase in value to the clients or the backers if there was amalgamations. If this is the case then Drucker (1981) would also agree that any amalgamations would be unsuccessful since for a merger to be productive, value must be created which was not possible without the merger.

The RSL could see advantages in joining with their competitors. Their are several possible reasons why this organisation was different to the others.

1. Competition was well defined in the Art Union Market.
2. Economies of scale could be realised in direct marketing costs.
3. The product was well defined.

To develop a competitive advantage requires a through knowledge of your competitors and their products, without this knowledge an organisation cannot provide superior products for targeted markets. If the presumption is that the organisation has no competition than one may assume it operates as a monopoly, if this is the case for NPOs then they are in a fortunate position. The author may agree that most of the NPOs in this research have a monopoly on their cause however it is likely they operate in a purely competitive market for donative funds.

Segmentation

All NPOs focused their efforts on specific segments of the total market, both client and backer. This was normally a result of the environment in which they operated rather than from marketing research. The Asthma Foundation supported people who had asthma and in turn targeted their fundraising effort to those who had been effected by the ill affects of asthma. NPOs have taken the cost effective approach to raising funds by targeting potential backers that already know their product and have some attachment to it.

Several organisations went outside their own environment to raise funds. Again cost is a major factor and thus only the "resource rich" NPOs took the next step of conducting market research and data base marketing to segment the market further. The returns from this extra effort was substantial, not only in monetary terms but also in market intelligence.

A marketing approach to fundraising is a two-way system: it involves planning and formulating the institution's appeal for funds to potential donors, but it is also an important source of information as to how well the NPO's product is being received in the marketplace. A marketing network thus serves as an intelligent system.

The Leukemia Foundation while recognising the benefits of segmenting the donor market lacked the resources to conduct detailed market research. The solution was simple, trial and error. The CEO said they tried different types of programs on different segments until they found the most appropriate for the class of donor. The problem with this approach is the changing nature of the donor's response especially to direct marketing stimuli. The CEO of the RSL was amazed at this ongoing problem:

.... you can do something this year and it works like a charm. The same thing next year falls flat on its face.

This supports the research of Gronbjerk (1991) in that NPOs have difficulty tracking the changing moods of the market towards fundraising and thus they rely heavily on a limited set of funders. The strength of the competition and the products produced defines the size of the market segment attracted to the NPO.

While market research done by NPOs such as Paraquad, the RSL and the Cancer Foundation may give them an advantage in fundraising, less expensive methods using secondary data is available for the "resource poor" NPOs. An example of such information comes from *Giving Australia* (The Australian Association of Philanthropy, 1991) and is presented in the table below.

FIGURE 3

Receiver - % of total given

Giver	Human Services	Health	Religion	Education	Social Benefits	Arts/ Culture	Other	Total $ Mil
Individuals	24.4	21.6	30.7	10.4	7.3	1.9	3.7	839
Big Business	15.0	21.0	1.0	25.0	15.0	19.0	4.0	176
Small Business	34.0	29.8	20.0	5.8	34.0	4.0	3.0	295
Foundations	26.7	17.2	0.5	14.1	5.4	16.7	19.4	122
Bequests	23.6	27.5	25.8	9.3	7.9	2.4	3.5	256
% Share of Total	25.1	23.6	22.8	11.2	7.4	5.2	4.7	1688

Figure 3 shows that the donor market can be segmented and that NPOs operating fundraising programs would be more cost effective by targeting specific groups who are more favourable to their cause.

This research supports Gronbjerk (1991) in that NPOs identified and targeted specific marketing segments from whom they sought to solicit donations in order to obtain better access to donors and develop more customised scripts. However most NPOs have only a limited constituency of loyal contributors, consisting largely of individuals with a personal belief in the NPOs moral mission or of foundations whose charters or priorities match that of the agency. Pareto's Law[5] appears once again to be applicable.

Customer oriented products

All NPOs were aware of their responsibilities to their clients and backers. The for-profit philosophy was expressed by the CEO of the Motor Trades Association of Queensland:

> *You can't survive unless your customer comes back. So you've got to satisfy your customers.*

But when you move outside the direct exchange model satisfying your clients and backers becomes a complex task. The CEO of the Queensland University of Technology Foundation believes it is a two step process:

1. *identify the benefits which the institution brings to society*
2. *promote those benefits to selected (favourable) target markets*

He believes the product is paramount to NPOs:

> *.... to give money to QUT you've got to believe in the place and what it is doing.*

Thus the prime fundraising prospects are found where there is a coincidence of interest between the goals of the organisation's program and those of a potential donor. Solicitations should be designed to highlight such a match of interests.

Marketing puts emphasis on the buying decision of the consumer and their involvement in that decision process.[6] Low involvement products require little thought from the consumer while high involvement products are more important to the buyer. However Rados (p.21) argues that the nonprofit marketer faces more extreme situations, in which the clients involvement is lower than the normal commercial low involvement situation, or higher than commercial high involvement. Thus marketing techniques that have been developed for commercial consumer behaviour will often fail in the nonprofit sector.

While not disputing Rados's argument he ignored the fact that NPOs are much closer to their clients and backers than a normal for-profit organisation. This often allows the NPO to produce products that

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5 Pareto's Law states that the significant items in a given group normally contribute a relatively small proportion of the total items of the group. Conversely, a majority of the items in the total, even in the aggregate, will be of relatively minor significance.

6 See Assael (1987) page 25-110 for further discussion.

have a much better fit with their target markets.

The NPO product becomes very difficult to market when your clients don't want any one to know. Thus it is perplexing to the marketer to try and make backers believe in a product when clients remain silent. Drug Arm constantly are faced with this problem:

The problem is any family who has been touched with drug and alcohol problems are not going to shout that from the rooftops. They are not going to tell everyone in their street how wonderful Drug Arm is because they helped while their son was on heroine. You see it's all hush hush so you've got to market it in a very much different way to other non-profit products.

Berry (1983) and Zeithmal (1990) describe this dilemma as being the broader problem of dealing with products that are based on a service. How do NPOs provide a customer oriented service. Most NPOs are moving to make their product to the backer more tangible. They are not only hoping the backer receives a *warm fuzzy feeling* but they are producing promotional products that assist the backer reach this feeling of goodwill. The Cancer Foundation is a good example of producing products in the attempt to make the backer feel apart of the organisation and feel responsibility for the organisation achieving its objectives.[7] To do this the Cancer Foundation uses a personalised response system. That is a donor will receive one or several of the following products:

1. A volunteer will telephone the donor and not only thank them for their contribution but also offer client services to the backer. This also shows the backer the client products produced by the Cancer Foundation.

2. A personal letter is written by a volunteer to the backer. This can often develop into a long-term one-to-one relationship. Again adding substance to the exchange process.

3. A volunteer will visit the donor.

There is also various newsletters produced and donors are encouraged to visit the premises of the Cancer Foundation and gain a better understanding of their work. And the result of producing a market oriented product to your backers:

The response has just been phenomenal.

And of course the closer the NPO comes to their backers the better the market intelligence they obtain which allows them to produce better products and the cycle starts again. Rados (1981) says a NPO not only must strive to mould itself to environmental changes, it must also develop a good sense for how people stand before it can develop effective marketing programs. This spiral effect is, rightly or wrongly, a major concern of resource-poor NPOs as they see themselves slip further behind the market leaders.

Summary of the results

The table presented below shows our NPOs interviewed have adopted market segmentation and product oriented products but have ignored the basis of market orientation, competitive advantage.

FIGURE 4

[7] Again it is contended that the two main characteristics needed from the target market is emotional attachment and product understanding.

Nonprofit Organisations Total Interviewed = 13	Target Specific Client Segments	Target Market Segments Outside Client Base	Produce customer/client oriented products	Attempt To Obtain Competitive Advantage
Sufficient Resources Available	8	5	8	0
Inadequate Resources Available	5	0	2	0
Total	13	5	10	0

Your competitors position should help determine what products to produce, who to target the products to, and how to deliver them. Without competitive awareness any segmentation must be based on what Rados (1981) describes as marketing by trial and error.

RESULTS FROM RESEARCH - MARKET ORIENTATION WITHOUT A COMPETITIVE BASE

Market orientation is based on knowing what your customers and clients need/want and knowing how your competition is attempting to satisfy those needs/wants. If the organisation believes, as all those interviewed did, that there is little competition between organisations, then the for-profit ideology of market orientation fails.[8] There are several possible reasons for this failure:

1. The environment which nonprofit managers operate within does not support adoption of competitor based strategies.

2. The theory of competition does not fit well with the nonprofit sector due to conflicts between organisational objectives and marketing objectives.

3. The resources available to NPOs in South-East Queensland are not scarce and as such their is little competition for them.

The research contends that these three components, management, organisational conflict, and availability of resources are powerful environmental factors which will effect not only whether a NPO adopts a market orientation but also how it perceives a market orientation approach.

Management

Weisbrod (1989) argues that the voluntary sector exists precisely because its goods are not produced in a profitable, competitive environment. The nonprofit environment provides different motivating forces of managers than those in the for-profit sector. Managers in the nonprofit sector are driven by achieving the short term objectives of the organisation, and laying foundations for realising the long term objectives. Neither of these objectives address resource attraction as a priority. Granted, to achieve the objectives managers must obtain a suitable amount of resources, however they themselves, or more importantly their board, do not see such a function as their major task. In contrast the for-profit sector managers are compelled to be aware of competition aware because their performance will be examined on the profit their area contributed to the organisation.

Economic theory holds that competition constrains organisational behaviour (Stigler, 1966). Competition in the for-profit sector has brought about internal practices such as goal setting, strategic planning, and new management ideologies. According to Lammers (1990) such internal practices has lead to formal personnel policies, strict work rules, incentive systems, profit-sharing plans, higher

[8] This assumes that the organisations interviewed do not operate in a monopolistic market for backer's funds, which they all agreed they did not.

salaries, aggressive recruitment of board members, increases in staff turnover, and complex compensation packages. Such methods will often clash with the culture which has been the major factor in its survival.

It seems logical then to overcome conflicting cultures that a separate section be established within an NPO to operate under different objectives to that of the organisation. Literature (Scott and Meyer, 1988; Fennell and Alexander, 1987; Middleton, 1987) has suggested changing organisational structure within NPOs so as the organisation can operate under dual, and sometimes conflicting objectives, however a discussion of this is beyond this report. What is important is that management, for whatever reason, has avoided embracing a competitive ideology.

Conflict between nonprofit objectives and being market-oriented

NPOs interviewed said that little conflict had arisen between marketing programs and organisational objectives. They were well aware that the potential was there for considerable damage to occur if any conflict was not well managed, but such a situation rarely arose. This strongly contradicts previous research findings. Bambossy (1990) in his study of NPOs in The Netherlands found that marketing itself had a bad image. Respondents expressed concern that the application of marketing methods "would damage the culture of their work environment". Bambossy believes here lies the irony of the situation. Social welfare sectors are under stress owing to the increasing and changing nature of demand, coupled with declining resources (in particular Government subsidies). All participating parties would welcome a more efficient and effective market. Although a marketing orientation will not guarantee this result, it would add new perspectives to the analysis, planning, and control evaluation activities of NPOs.

Such a contradiction between The Netherlands and Queensland is difficult to explain. Perhaps the marketing programs developed by the NPOs interviewed in Queensland were congruent with the organisational objectives, this would be more likely when existing, and well tried programs provided adequate resources allowing NPOs to achieve their objectives.

The inconsistency in findings might also be explained by managers of NPOs adopting a more professional approach to the administration of the organisation[9], whereas Bambossy's (1990) respondents, who were mainly members, volunteers, and board members, were more altruistic in there approach to the funding of their organisation.

This raises another type of conflict which exists in NPOs. The conflict of management objectives and volunteer objectives, in particular the governing board. A CEO suggested that it would be improper for a manager to discuss competition for resources because their function, according to their employer - the board, did not involve developing competitive marketing strategies. McDonald (1992) supports the view that adopting a marketing approach can create potential problems for NPOs. Rather than fostering an encouraging environment, it often creates considerable distrust and criticism of the marketing efforts. McDonald (1992) believes the reason for this is that the professionalised nature of marketing challengers the dearly held notion of altruism, selflessness and kindness. Many board members and workers are repelled by the notion that marketing is done for profit, that people can be manipulated in to giving, while they themselves `give' without encouragement. However the CEO added that this does not mean that NPOs are not aware of their competition, it just means they are unwilling to discuss it. If this is the case, then it is a major flaw of this research.

Scarcity of resources

[9] Adoption of for-profit marketing techniques for nonprofit managers creates little difficulty if their managerial experience comes from the private sector.

If a NPO has little difficulty attracting clients and customers then their concern with primary or secondary competition is minimal. Several NPOs interviewed would fall into this category because of their well established resource base. These same NPOs were also able to conduct the most advanced marketing programs. This implies that their are `slack resources' available to NPOs who are willing to adopt two of the components of market orientation, that is segmentation and customer oriented products. Thus competitive awareness only becomes important when resources become scarce, that is simply being customer oriented in such an environment will see a decline in resources obtained. Primary competition will become more influential on marketing decisions when some nonprofit sectors experience growth while other sectors shrink.

Resources will become less available as rivalry in an industry increases. Porter (1987) notes that this will occur when there is an increase in the bargaining power of customers or suppliers, there is a threat of new entrants, or the threat of a substitute service. In the nonprofit sector such rivalry does not only exist within a industry but across industries, which is more difficult to recognise and is usually ignored.

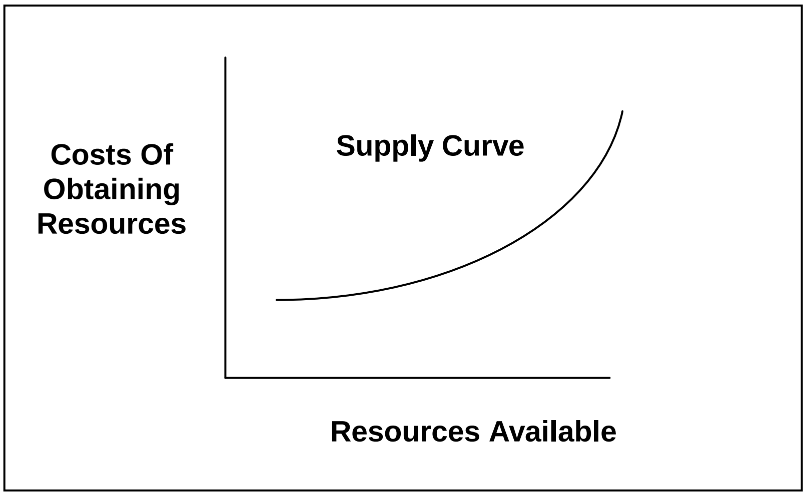
There are two problems with ignoring competition, even if there is a plentiful supply of resources.

1. Deciding the point when resources do become scarce and a competitive strategy is needed. Competition in the nonprofit sector in America has escalated in the 1980s and (Ben-Ner and Hoomissen, 1990) and a similar trend is expected in Australia (Considine, 1988; Kramer, 1990).

2. Overlooking the fact that there are resources (funds) which are less costly to obtain than others. Figure 5 shows that as an organisation attempts to increase its resource base so to the cost of obtaining those resources increase.

COST OF RESOURCES

FIGURE 5



These two problems indicate that even if resources are plentiful, NPOs should still be aware of not only secondary competition but more importantly primary competition. This resource-dependence approach supports Lammers (1990, p.175) who takes the view that *organisational actions can also be explained by the situation of interdependence, uncertainty, and resource munificence confronting the organizations.*

CONCLUSION

One of the inevitable consequences of the increasing emphasis on professionalism in the management of NPOs is the application of techniques copied from the private sector. There would probably be little dispute if the management topic in question were methods of bookkeeping or handling the payroll. The most contentious area however is the use of private sector marketing techniques. (McLeod, 1991)

This research asserts that applying for-profit marketing techniques in the nonprofit environment does not create major adjustments in the management of the organisation. Producing customer oriented products to segments of the target market is now an integral part of competent administration for nonprofit managers. However to become market oriented nonprofits must become more aware of their competitor's strategies before they can develop their products or select which segments they should target. It is not the techniques which cause problems for NPOs, rather it is strategies that are needed to develop successful marketing programs which are not being embraced by the respondents.

There are three important elements that influence market orientation in the nonprofit sector; management, conflict between organisational objectives and market orientation, and availability of resources in the marketplace. These three factors effect whether a NPO will adopt a market oriented approach, not only to resource attraction, but also to resource allocation. While these factors are also present in the for-profit sector they have little influence on a firm becoming market oriented. The for-profit sector appears to have left behind the teething problems of competitor awareness.

To become market oriented will require a major cultural change, not necessarily by management, but more by volunteer staff, especially the controlling board. Such a change is not evident from this research, and this in itself may indicate the difficulty for a NPO to become market oriented.

Hypotheses developed from the data

1. NPOs that lack adequate resources have difficulty using market segmentation techniques to improve their client and customer base.

2. NPOs who develop competitor awareness and develop marketing programs based on competitor actions provide the most efficient and effective community services. (That is they are market oriented)

3. For a NPO to become market oriented its organisational structure and culture must change.

4. NPOs who operate in a stable environment will be less market oriented than NPOs operating in a turbulent, changing environment.

5. The effectiveness and efficiency of management in NPOs increases as competition for resources increase.

6. The key elements of a relationship between a corporation and a NPO are, geographic proximity, specific benefit to the organisation, and personal relationships between key officials.

To test the above hypothesis, objective indicators would be required. However because such indicators are difficult to find in the nonprofit sector than any further research will most likely turn to measuring executives perceptions. Lammers (1990) raises the possibility of executives providing interpretations consistent with emergent norms and not accurately presenting reality. Any further research must assure both face and content validity.

The hypotheses above may give the impression that NPOs must become market oriented to survive, such an opinion is outside the scope of this research. It is possible that successful marketing in the nonprofit sector needs to be radically different from the methods used in the for-profit sector. If that is the case then it is time to develop a new framework. Before such a decision can be made the nonprofit sector must decide whether market orientation is appropriate for their environment.

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